

May 13, 2003

The Honorable Mayor and City Council
City of Riverside, California

These are wonderful times for the City of Riverside! The City is poised for positive change, both within City Hall and in the community at large. I am pleased to be in Riverside, and excited by the possibilities facing the City. In accordance with the City Charter, the City Manager's responsibilities include to:

“Prepare the budget annually, submit such budget to the City Council and be responsible for its administration after its adoption; Prepare and submit to the City Council annually a capital improvement plan; Keep the City Council advised of the financial condition and future needs of the City and make such recommendations as may seem desirable to the City Manager.” (City of Riverside Charter Section CH.601)

I am able to fulfill this important responsibility thanks to the support and guidance extended to me by the Mayor and City Council over the past year. Thanks are also in order to all Departments of the City of Riverside for their hard work and cooperation in preparing their departmental budgets and adhering to the budget directive and instructions.

INITIAL OBJECTIVES

When I joined the City of Riverside last May, and after several discussions with the Mayor and City Council, I set out to accomplish the following objectives:

- Orient myself with the community
- Develop a Citywide Strategic Plan
- Prioritize customer service and economic development
- Fill key position vacancies
- Restructure the City organization
- Present a balanced budget

I am pleased to report that all of the above objectives have been accomplished, laying the groundwork for a clear and well-defined future. The budget process ties strategic planning to the resources necessary to accomplish our goals. In this way, the budget serves not only

as a spending plan for the immediate future, but also as a management and communications document that outlines the City's commitment to providing accountability, strategic planning, and performance evaluation for all that we do. With these objectives in mind, I am pleased to present the proposed FY 2003/04 Strategic Budget. It is called a Strategic Budget because it reflects our strategic planning efforts to know the needs of our community, capitalize on our strengths, anticipate economic trends, and position ourselves to meet future challenges. Following is more detail on the major forces shaping this budget.

COMMUNITY INPUT

Community Visioning and the Citywide Strategic Plan

The proposed budget is inextricably linked with the City's community visioning process. This process was launched in the spring of 2002 to gather community input into the update of the City's General Plan. Over a seven-month period, numerous avenues for City Council, staff, and community input were provided, culminating in the Community Strategy Meeting, held on October 26, 2002. The Community Strategy Meeting elicited input from over 600 community members on the goals they would like to see the City achieve in the next three years. Through this intensive outreach process, *Focusing on the Vision: Strategic Plan 2003-2004* was developed, which set forth the following five short-term strategic goals:

- 1. Preserve and Improve our Quality of Life***
- 2. Reduce Transportation Congestion and Improve Traffic Flow***
- 3. Address Riverside's Social Concerns with Community Involvement***
- 4. Beautify the City***
- 5. Increase our Investment in Youth and Children***

These goals are at the heart of what our community expects from its local government. In turn, these goals are woven throughout the FY 2003/04 Strategic Budget, which allocates the resources necessary to achieving our shared vision.

Citizen Survey

For the past six years, the City of Riverside has conducted an annual citizen survey mailed to randomly selected households throughout the city. Through this medium, residents are asked to let us know "how well" we are serving them. Survey questions run the gamut from perception of personal safety, to accessibility of public library services, to satisfaction with neighborhood cleanliness. The results are presented annually to City Council, and also influence our budgetary decision-making as we continually strive for improvement.

ECONOMIC OUTLOOK

During this mild recessionary period, our regional economy is stable and even growing in many sectors. Commonly known as the "Inland Empire," Riverside and San Bernardino counties have added 341,000 jobs since 1990, more than any other counties in the state. In

addition, our sales tax revenues continue to climb and our growing housing market remains among the most affordable and highest in demand in the State.

Rising housing prices in the coastal regions (Orange, San Diego, Ventura, Los Angeles Counties) have brought an influx of 25 to 44 year old professionals migrating into our region seeking high quality, affordable housing. According to local economist John Husing, of 40 Inland Empire high-end housing developments (3,000-6,000 square feet) in March 2002, 11 were in the City of Riverside, more than any other city in our region (*Quarterly Economic Report*, January 2003). Furthermore, according to the 2000 census, some cities in the Inland Empire saw a 40.3 percent growth in residents holding professional or management level positions. We are now building a population with the skill base that makes other more coveted types of developments and high-end jobs possible.

According to the Western Riverside Council of Governments, 70 to 72 percent of commuters living in the Inland Empire but commuting to jobs in San Diego or Orange County would be willing to work locally for *at least* the same pay. A full 46 to 47 percent would be willing to work for 5 percent less. This is a powerful statistic that speaks volumes about where our local economy is headed.

The growth in highly skilled workers should be coupled with another important statistic when considering where our regional economy is headed: the cost of office space. According to John Husing, "With the exception of the older office buildings in the mid-Wilshire area of Los Angeles, the region is Southern California's least expensive office market" (*Quarterly Economic Report*, January 2003). Orange County's office space is 10.1 percent higher, while San Diego County and select areas of Los Angeles County are 18.3 and 19.5 percent higher, respectively.

The Inland Empire is home to sixteen four-year institutions of higher education, which are important to businesses seeking new graduates, professional growth opportunities, and cutting edge research. Riverside alone is home to four colleges and universities, including the fastest growing UC campus – the University of California, Riverside.

Lastly, high-end retail opportunities are finding their way into the Inland Empire. These developments were more difficult to come by in previous years because many companies did not think this region had the income base to support their operations. That view, and that reality, has changed. The local economy is robust, and Riverside is poised for future economic growth.

STATE BUDGET

The Governor's January Budget Proposal contained significant impacts for California's cities and counties. The State, at that time, had amassed an 18-month deficit of over \$34 billion. Already carrying a \$5 billion annual burden since the early 1990s from property tax shifts and other state subventions, cities across the State, including Riverside, rallied against the additional \$4 billion they were being asked to carry. As originally submitted,

the Governor's proposal could have resulted in the City of Riverside losing \$21 million over 18 months. Most of that amount would have been from "Vehicle License Fees," the fee in-lieu of property taxes on vehicles in California. The City of Riverside receives \$14-15 million annually from this funding source, which funds many public safety services. Vehicle License Fee revenues amount to approximately 10 percent of our general purpose revenues and is our third largest single revenue source. Fortunately for the City of Riverside, but not for the State, a political stalemate has resulted in minimal cuts being realized this fiscal year. None of the cuts to date carry a local impact.

The good news is that the City is well positioned, more so than at any point in its history, to weather the State's budget crisis. The City of Riverside, through sensible planning in the good times, grew an operating reserve from \$2 million in FY 1999/00 to \$21.4 million in FY 2002/03. This reserve was created not only to deal with possible future state takeaways, but also to do great things in the City, such as invest in infrastructure, parks, libraries, public safety and transportation. While we are currently experiencing a structural deficit of our own due mainly to softening revenues, Public Employees Retirement System (PERS) increases, and labor-related increases, we are taking appropriate measures to address these financial issues before they become a problem.

FY 2003/04 BUDGET DIRECTIVE

As we entered the FY 2003/04 budget preparation cycle, and in light of the economic uncertainties outlined above, department heads and budget coordinators were instructed to consider the following questions in regards to their budgetary needs:

- *Which services are currently provided?*
- *Why do we provide these services?*
- *Is there a more appropriate Department/agency to deliver these services?*
- *Are there services we are not currently providing, but should be?*
- *Are funds budgeted effectively?*

In order to provide the answers to these questions, departments had to thoroughly examine their program activities for relevance with citywide and departmental missions, maximum efficiency, and alignment with the Citywide Strategic Plan. Rather than building incrementally upon existing budgets, departments essentially constructed their proposed budgets "from the ground up." In this way, previously held assumptions on how and why services are provided were tested for relevance and validity.

The FY 2003/04 Strategic Budget is built around the following directive:

- The Budget contains sufficient resources to provide our essential city services, as defined by City Charter, City Ordinance, state or federal requirement, in a high quality manner;
- The Budget contains sufficient resources to meet the requirements of the Citywide Strategic Plan, or other key reports;

- The Budget is driven by the principles of efficiency, effectiveness and results (as defined by performance measures, and including citizen input via the annual Citizen Survey);
- The Budget demonstrates that we are delivering services in the most effective manner possible;
- With the exception of previously negotiated salary increases, every effort was made to reduce General Fund expenditures in light of economic uncertainties and possible state takeaways.

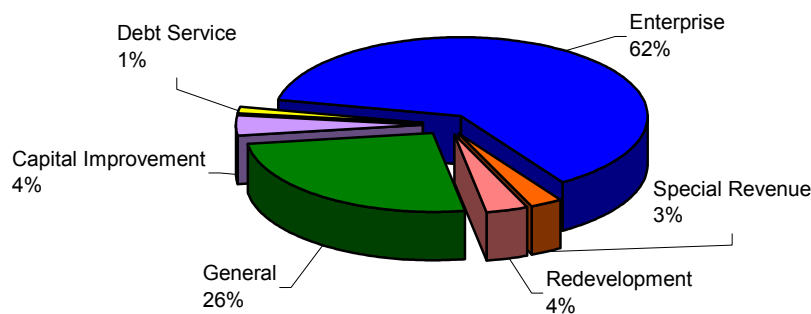
The end result is a budget that is both a realistic spending plan for providing essential city services and accomplishing many capital projects, and a proactive strategy to address an uncertain economic climate.

CITYWIDE BUDGET OVERVIEW

The FY 2003/04 budget reflects the current economic conditions throughout the region and the State, and the requirements of the Citywide Strategic Plan. The uncertainty of the timing of an economic recovery has contributed to reductions in some General Fund programs, a summary of which is included in the section of this letter dealing exclusively with the General Fund. Priorities were evaluated, and where feasible, enhancements were made that support the Citywide Strategic Plan.

The City's total combined annual budget for FY 2003/04 is \$565,680,851, an increase of 11.3 percent from the current year. This increase in the total budget is largely due to the proposal to construct a new \$55 million, 50 megawatt peaking generation plant in the Enterprise Fund budget of Public Utilities. Figure 1 below illustrates the total combined budget by Fund.

Figure 1. Total Budget by Fund Type



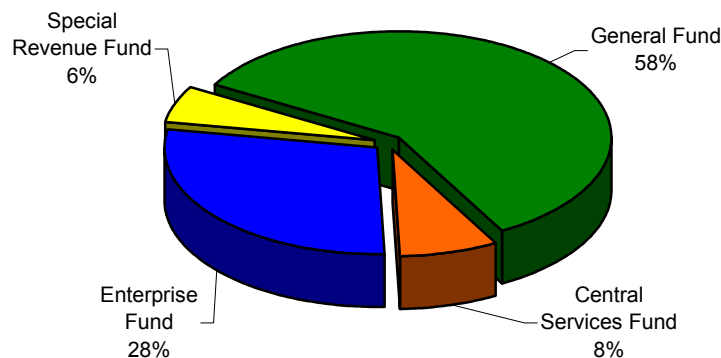
Fund Type	Proposed 2003/04
General	145,217,652
Capital Improvement	23,203,826
Debt Service	8,098,499
Enterprise	353,645,789
Special Revenue	14,771,119
Redevelopment	20,743,696
Grand Total	565,680,581

It may be helpful to think of the different city funds as multiple businesses. Just as businesses vary by size and revenue, so do the various city funds, with some performing better financially than others. There is a tendency to equate the City's General Fund with the City's financial status as a whole, but it is important to remember that the General Fund is just one of many funds, or places of city business.

Personnel Resources

The FY 2003/04 Strategic Budget includes a combined total of 2,173.26 full-time equivalent (FTE) positions. Of the total FTE figure, 1,258.51, or 58 percent, of the positions are budgeted in the General Fund. For FY 2003/04, a total of 16.85 FTE positions were eliminated from the General Fund. These positions were either deleted altogether or were shifted off of the General Fund to another fund. Figure 2 depicts the share of personnel by city fund.

Figure 2. Share of Personnel Resources by Fund



Strategic Budget Priorities

The FY 2003/04 Strategic Budget has been significantly shaped by short- and long-range plans, namely, the Strategic Plan, which contains several other key reports and plans (e.g., the Husing-authored Economic Development Strategies, Downtown Specific Plan, Mayor's Homeownership Task Force Report) and the Community Vision. Highlights of

the FY 2003/04 Budget include the following program enhancements and capital projects that are designed to move the City closer to realizing its vision:

Goal One: Improve and Preserve our Quality of Life

- **Orangecrest Branch Library** – begin preliminary planning and conceptual design work for a new branch library in an area experiencing significant populations surges.
- **Economic development**– work toward creating, attracting, or retaining a targeted 1,700 jobs, increase taxable sales by \$100 million, and generate an additional \$100 million in private investment.
- **Peaking Generation Plant** – construction of a new 50 MW generating plant to ensure that the available power supply continues to meet customer demand.
- **Villaggio Project** – ensure construction plans of the Villaggio continue to move forward.
- **Water System Expansion and Main Replacements** – ensure that the available water supply continues to meet expanding customer demand as the City's population grows.
- **Sidewalk Repair, Backlog Reduction and Trail Construction**– new projects at various locations throughout the City (completed in order as ranked on the sidewalk priority list), as well as additional funds to reduce the backlog of sidewalk repair projects by 30 percent.
- **Police Pistol Range** – existing Pistol Range will be remodeled and financed over 5 years.
- **Homeownership** – expand homeownership and rehabilitation programs citywide.
- **Police Facility** – new facility will replace leased space and provide more timely police response outside the downtown area. The proposed facility will be financed over a period of 20 years.
- **Airport Land** –the purchase of additional land around the Airport. Some costs are reimbursable by state and federal funds; the remainder will be financed over 30 years.
- **Airport Fire Station** – new facility will improve fire response times in the Arlington area of the city and will be financed over 20 years.

Goal Two: Reduce Transportation Congestion and Improve Traffic Flow

- **Orangecrest/Mission Grove Congestion Relief Plan** - minor street improvements at various locations to improve capacity and reduce congestion in this growing area.
- **Railroad Grade Separations** – make significant progress in obtaining funding to construct railroad underpasses.
- **Traffic Signals and System Timing Plan** - installation of new signals or synchronization projects at various locations throughout the City to improve traffic flow and safety, as well as to perform traffic counts as needed to update existing signal system timing plans.

- **La Sierra Avenue Widening** - Indiana to Cleveland, in order to accommodate two travel lanes in each direction and a center left turn lane to reduce traffic congestion and improve safety.
- **Market Street/SR 60 Ramp** - construction of roundabouts at the SR 60 Freeway/Market Street ramps by Caltrans, with funds from the City, in order to facilitate traffic flow at this major city gateway.
- **60/215/91 Freeway Utility Relocation** - relocate electric and water utilities to support Caltrans freeway improvements at an extremely congested freeway intersection.
- **Orange and Ninth Streets Parking Structure** - improve parking conditions in the downtown business district. This project will be financed over 30 years.

Goal Three: Address Riverside's Social Concerns with Community Involvement

- **Homeless Issues** – through a variety of community and intergovernmental partnerships, effectively resolve the homeless situation.
- **Neighborhood work** – continue to strengthen partnerships with community of faith leaders to implement solutions to social concerns.
- **Eastside Strategic Actions** – continue to make progress on the fifteen recommendations set forth in the Strategic Actions for the Eastside.
- **Arlanza Neighborhood Initiative** – through extensive collaboration with community and governmental partners, launch the Arlanza Family and Neighborhood Resource Center.
- **Summer Youth Employment Program** – in collaboration with the business community, nearly 65 students of ages 14-19 will be placed in city departments and local businesses for developing job skills and becoming productive members of the community.

Goal Four: Beautify the City

- **Main Library** - refurbish aging Downtown Library exterior, including landscaping improvements.
- **Urban Forest** – continue to make significant progress on improving the look and quality of our trees, provide additional tree trimming in the City's business districts and reduce the tree trimming cycle.
- **Fairmount Park** – demolish and rebuild park offices, improve dry gulch area with new walkways, lighting, turf, trees and irrigation to improve one of the largest city parks situated at a major city gateway.
- **Market Street Widening** - acquire right of way for the construction of raised and landscaped medians and the installation of a concrete curb, gutter and sidewalk along Market Street from First to Fairmount Park.
- **Gateway Beautification** – enhance the appearance of major city gateways and freeway underpasses.
- **Median Construction and Landscaping** - construction of median landscaping and entry monumentation along Central Avenue between Lochmoor Drive and the easterly city limits.

- **Major OH/UG Conversions** – convert existing overhead power lines to underground utilities for safety and aesthetics.
- **Graffiti Prevention** – expand graffiti prevention efforts and increase response time of the Graffiti Removal Program.
- **Water Facilities** - landscaping and security improvements at various water facilities.
- **City Clean-up Efforts**– implement a comprehensive trash dumping mitigation program, as well as further promote and expand the following clean-up programs: bulky item pickup, community collections, private property voucher program, E-waste roundup, and tire collection.

Goal Five: Increase our Investment in Youth and Children

- **Reid Park** - improvements to an aging park will include road construction, grading, lighted ball field, as well as a new playground, parking lot, and restrooms.
- **Practice Field** - development of 20 acres of existing park land for practice fields. This project will be financed over 20 years.
- **Martin Luther King High School** - installation of ball field lights at MLKHS with a provision for use by the City, expanding available land for sports use.
- **Youth Action** - in partnership with youth service providers, educational institutions, and other community groups, facilitate expansion of the Youth Violence Prevention models, promote career exploration, vocational training, and job preparation programs, and conduct a youth needs assessment.

Additional projects, which are aimed at improving overall efficiency and customer service, include:

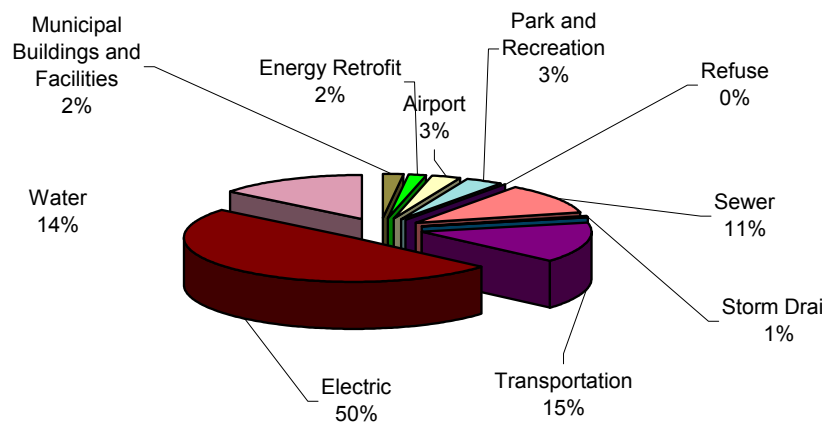
- **City Hall Minor Expansion and Renovation** – renovate targeted floors of City Hall for efficiency and space purposes, improve Council Chambers public access and viewing capacity, and develop a one-stop shopping arrangement for developers and other customers.
- **Automated Integrated Library System Software** - upgrade electronic retrieval system for bibliographic and borrower records.
- **Geographic Information System** – upgrade software to maintain currency of information and improve accessibility.
- **Work Order Management System and Electronic Time Keeping** – implement new software for citywide use.
- **Computer Aided Dispatch System Software** – upgrade outmoded Police CAD software.

Capital Budget

The Strategic Budget Priorities highlighted above clearly include many capital projects that will serve to enhance the quality of life in the City for years to come. The FY 2003/04 capital budget includes improvements totaling \$116,357,550. The six-year capital program (illustrated in more detail in a separate publication) is partitioned into nine sections:

Airport, Municipal Building and Facilities, Park and Recreation, Refuse, Sewer, Storm Drain, Transportation (streets and traffic signals), Electric, and Water. The relative distribution of projects proposed for FY 2003/04 is demonstrated in Figure 3.

Figure 3. Capital Project by Service Area for FY 2003/04



With a combined 79 percent of the six-year CIP expenditure requirements, the Electric, Water, and Transportation programs can be considered to be the main drivers of the CIP. Major projects include the major and minor street rehabilitation and construction program, the construction of two new power generation plants to meet increased future demand, and water main replacements.

FUND DESCRIPTIONS AND SIGNIFICANT BUDGETARY CHANGES

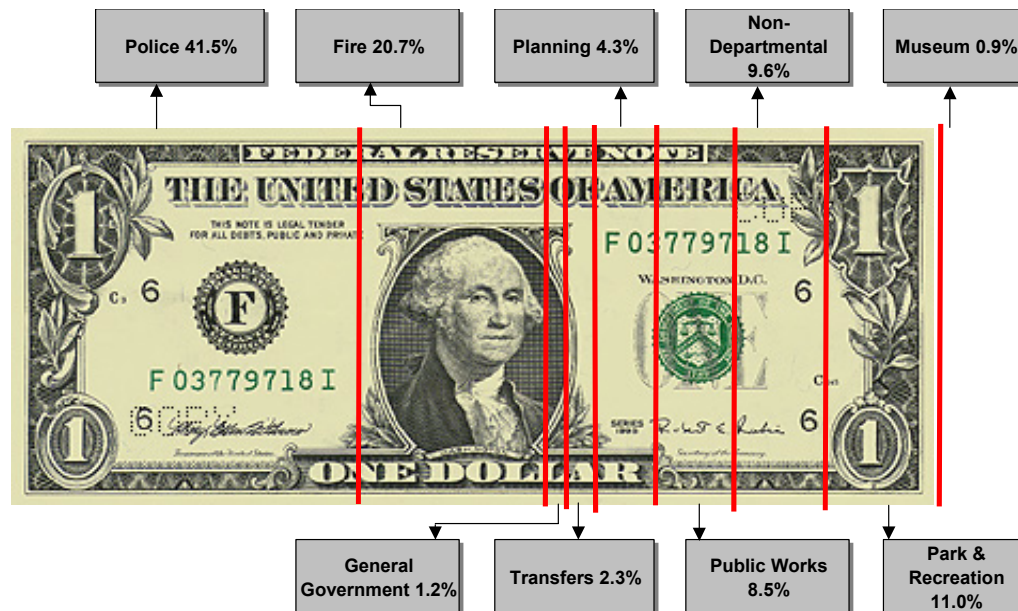
The following is a brief description of a select group of city funds, and a summary of the significant changes within each fund.

General Fund (101)

Overview

The General Fund provides core city services including police, fire, parks, recreation, street maintenance, planning, and animal control. The proposed FY 2003/04 General Fund budget, excluding transfers, is \$145,217,652 million. Transfers to the Library, Refuse, and Airport Funds total \$3,382,771 million, for a total General Fund requirement of approximately \$148,600,423 million. This figure represents an increase of \$5,487,959 (+3.8 percent) over the current budget year. The primary reason for this increase is the impact from previously negotiated salary increases and rising pension costs. Figure 4 depicts how the General Fund budget is allocated.

Figure 4. Allocation Share across General Fund Departments



Economic Contingency Reserve

Through prudent budgeting during good economic times, the City has been able to build a healthy Economic Contingency Reserve fund of 15 percent of General Fund expenditures, or \$22.5 million for FY 2003/04. The reserve can be used to cushion against possible fluctuations in revenue and/or emergency expenses. Because of this reserve, we are able to weather the State's budget crisis while still maintaining current service levels.

General Fund Structural Deficit

For the past several years, General Fund expenditures have outpaced General Fund revenues. The result is a structural deficit, which is balanced each year by a transfer from the General Fund's unappropriated fund balance. To address this problem before it becomes unmanageable, the proposed budget includes measures to bridge the gap and trim the projected deficit by 50 percent. These measures include the elimination of 16.85 FTE positions from the General Fund, deferral of equipment replacement reserves, and reductions to various programs. Following is a summary of the significant changes within the General Fund.

Summary of FY 2003/04 Significant Changes Within the General Fund (101)

<i>Department</i>	<i>Action</i>	<i>One-Time</i>	<i>Ongoing</i>	<i>FTE</i>
City Attorney	Reduce overall budget by charging enterprise/ development funds, enhancing revenue, and reducing personnel costs		(\$400,000)	(1.0)
City Clerk	Add funds in Election Services for proposed Fire Bond Measure	\$23,825		
City Manager	Eliminate one vacant Assistant City Manager position; add one Assistant to the City Manager position; reduce various		(91,694)	

	accounts in Office of Management and Budget and Civilian Police Review Commission; increase funding for Youth Service Center contract (Human Relations)			
Development	Add funds for gateway/mural projects; add funds for Small Business Development Center	100,000	10,000	
Finance	Reduce General Fund Liability Insurance Charge for one year; eliminate funding for 3.50 FTE positions (33% allocated to General Fund)	(1,800,000)	(92,998)	
Fire	Defer Apparatus Replacement Program funding for one year	(600,000)		
Human Resources	Reduce General Fund Workers' Compensation charge to Police and Fire	(1,535,828)		
Library	Add funds for rehabilitation of branch Library exteriors	50,000		
Museum	Add funds for Fine Arts Insurance Policy; underfill vacant positions; reduce various accounts; enhance revenue		(33,363)	
Non-Departmental	Reduce economic contingency reserve; reduce retirement reserve		(577,000)	
Park and Recreation	Charge 70% of salary and benefits for 8.4 FTE to Capital Projects; eliminate 2.73 FTE; increase .75 FTE Recreation Services Coordinator to 1.0 FTE		(684,201)	(8.4)
Police	Eliminate 4.0 FTE vacant Youth Resource Officer positions; use newly awarded grant funds to fund technology upgrades; extend vehicle replacement cycles by one year; reduce POST training budget	(1,884,882)	(373,000)	(4.0)
Planning	Charge personnel to General Plan Surcharge Reserve through FY 2004/05; add one Planning Technician Position to assist with annexation; increase revenue	(273,201)	57,995	(.70)
Public Works	Reduce various accounts, including abatement contracts, travel and training, and various supplies; underfill 3.0 FTE Sr. Admin Analyst positions; increase transfers to enterprise funds.		(659,023)	(2.75)
Total General Fund Reduction		One-Time (\$5,920,086)	Ongoing (\$2,843,284)	FTE (16.85)

Each departmental budget submittal was reviewed with the corresponding department head and departmental budget coordinators, as well as the Finance Director and Office of Management and Budget staff. Through this collaborative effort, we have achieved approximately \$5.9 million in one-time, and \$2.8 million in ongoing General Fund cost savings.

General Fund Revenues

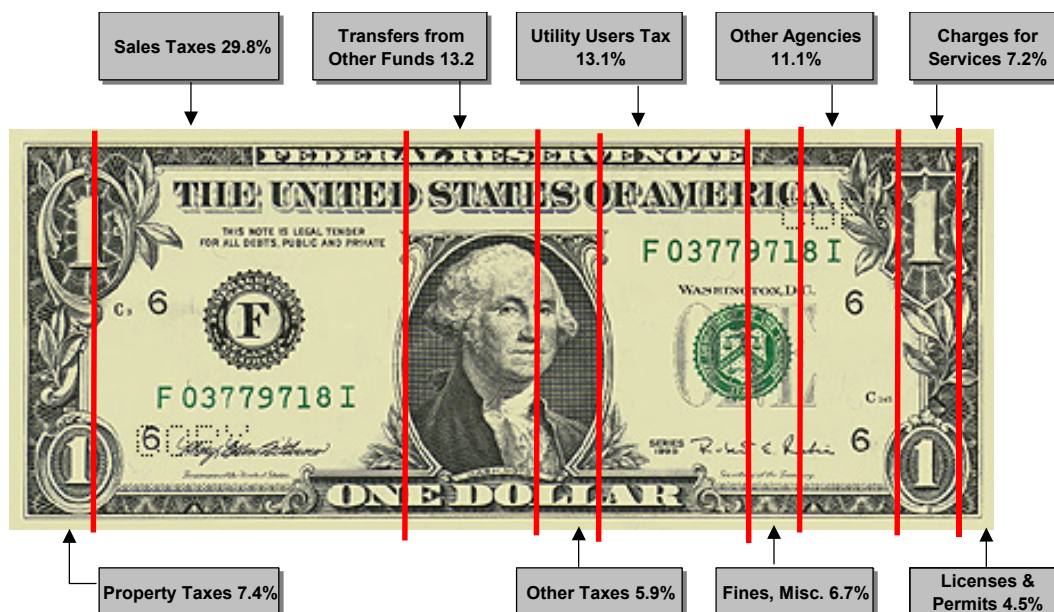
For FY 2003/04, General Fund Revenues are projected to be \$122,062,571, an increase of 9.2 percent. The proposed transfer amount from the Electric Fund is calculated at \$16,530,570, an increase of 9.3 percent over the current year's budget. The transfer amount is based on a percentage of Electric Fund revenues from the prior fiscal year; thus when power usage increases, revenues and the transfer amount increase accordingly. For FY 2003/04, the Electric Fund transfer represents 9 percent of the previous year's Electric Fund revenue. Per the City Charter, this amount may not exceed 11.5 percent of total Electric Fund revenues.

Growth in revenues depends primarily on the economy. When the economy expands, revenues are expected to perform accordingly. Given this relationship, key economic indicators including employment, personal income, and retail sales figures are helpful in formulating revenue estimates. Statewide and national economic trends may also impact revenue sources, along with policy decisions made at the state and federal levels.

The four major General Fund revenue sources, which include the Sales Tax, Utility Users Tax, Vehicle in Lieu Fee (VLF), and Property Taxes, comprise 74 percent of total General Fund revenues. These revenues are discussed in greater detail in the "Budget Summaries" section of this document.

Total FY 2003/04 General Fund revenues, including transfers, total \$141,712,056 million. Figure 5 illustrates General Fund revenue sources, and their relative importance to the General Fund.

Figure 5. General Fund Revenue Sources



Central Service Fund (102)

The Central Services Fund includes those departments that serve the City's operating departments. Central Service departments are Finance, Human Resources, Information Systems, and General Services (formerly Administrative Services). The proposed Central Services Fund budget of \$27,122,090 reflects an increase of 3.1 percent, due primarily to previously negotiated salary and benefits increases. Significant changes are shown in the table below.

Summary of Significant Changes within the Central Services Fund (102)

Department	Action	One-Time	Ongoing	FTE
Finance	Eliminate funding for vacant 1.0 FTE Debt Administrator, 1.0 FTE Finance Business Systems Support Analyst, and 1.50 FTE Accountant II positions (67% allocated to Fund 102)	--	(\$309,994)	(3.50)
Human Resources	Reduce various accounts; eliminate 2.0 FTE vacant Principal Management Analyst positions; add \$20,000 training funds for Administration; decrease 1.0 Office Specialist position to .50 FTE		(\$356,718)	(2.50)
General Services	Reduce Telecommunications Budget; add funds for Cable Access Services	--	(\$40,000)	--
Information Systems	Reduce Technology Replacement reserves	(\$400,000)	--	--
Total Central Services Reduction		One-Time (\$400,000)	Ongoing (\$706,712)	FTE (6.0)

Development Fund (170)

The City places a high premium on its development activities. Over the course of the past year, we have made great progress in moving forward with implementing the John Husing-authored Economic Development Strategies, which include 43 recommendations. Our Redevelopment Agency has worked steadily at structuring financial assistance for restaurant development in the downtown, as well as stimulating development throughout its project areas. The Housing and Community Development Program has successfully completed or launched key housing projects, including the Indiana Townhomes Project and infill single family housing development in low to moderate income neighborhoods.

This work continues into the upcoming fiscal year with continued implementation of the Husing Report; expanded marketing of the City, including partnering with the Chamber of Commerce, the University of California, and local businesses, to name a few, in a Shop Riverside Campaign; work on enhancing the appearance of the City's gateways; launch construction plans for the Villaggio project and Imperial Hardware; and successful completion of the Redevelopment Agency's priorities in the project areas, including the Magnolia Avenue and Madison Street streetscape projects, University Corridor improvements, Riverside Plaza, and Municipal Airport expansion. In the area of housing and community development, we will be focusing on expanding home ownership and

rehabilitation programs citywide, implementing the recommendations of the Mayor's Homeownership Task Force Report, and in collaboration with our community and governmental partners work toward resolving the issue of the homeless.

The Development Fund includes the administrative expenses for Development, Housing and Community Development, Economic Development, and administration of the Redevelopment Project areas. The proposed budget is \$4,447,375, a 4.5 percent increase from the current year. Since the Economic Development portion is ultimately charged back to the General Fund, economic development highlights are shown in the General Fund section of this letter.

Summary of Significant Changes within the Development Fund (170)

<i>Fund</i>	<i>Action</i>	<i>One-Time</i>	<i>Ongoing</i>	<i>FTEs</i>
Development	Remove funding for (but not the position of) vacant 1.0 FTE Development Director; Add 1.0 FTE Project Manager position	--	(\$87,602)	1.0
	Removal of funding for Orange Blossom Festival		(\$25,000)	
Total Development Fund Reduction		One-Time --	Ongoing (\$112,602)	FTE 1.0

Library Fund (210)

The Library Fund is responsible for the operation of the Central Library and the La Sierra, Marcy, Arlington, and Casa Blanca branch libraries. The proposed Library Fund budget of \$6,999,994 reflects an increase of \$648,817, or 10.2 percent over the current fiscal year. The increase is largely attributable to previously negotiated salary and benefits increases, and refurbishment of library exteriors and landscaping included with capital projects.

Measure "C"

On March 5, 2002 the voters of Riverside approved Measure "C" by a 69 percent majority vote. This measure provides an annual \$19 per parcel special property tax for a period of ten years, with the revenues restricted exclusively for library purposes. Through Measure "C", the City will receive an estimated annual supplemental appropriation of \$1.2 million to the Library Fund, through FY 2011/12.

For FY 2003/04, Measure "C" monies provide \$882,855, or 15 percent of the Library's direct operating budget. This figure includes the addition of 2.71 FTE positions to support the new Eastside Cybrary Connection, preliminary planning and conceptual design services for the proposed new Orangecrest Branch Library, and new public access computers.

General Fund Transfer

A General Fund transfer of approximately \$3.1 million is necessary to balance the Library Fund budget. This level of support is needed in order to maintain current service levels, in accordance with eligibility requirements for receipt of Measure "C" monies.

Summary of Significant Changes within the Library Fund (210)

<i>Fund</i>	<i>Action</i>	<i>One-Time</i>	<i>Ongoing</i>	<i>FTE</i>
Library	Add 2.71 FTE for Eastside Cybrary Connection; add Orangecrest Preliminary Planning and Conceptual Design; add public use computers; add increased ECC lease funds*	\$140,800	\$143,625	2.71
	* All of above adds supported by Measure "C"			
Total Library Fund Adds		One-Time \$140,800	Ongoing \$143,625	FTE 2.71

Electric Fund (510) and Water Fund (520)

The City of Riverside operates its own Riverside Public Utilities (RPU) to provide electricity and water services to the residents of Riverside. In addition to offering lower everyday rates than its competitors, RPU also bolsters economic development efforts within the city by offering discounted electricity to large power users and high tech companies. The combined Electric and Water budgets total \$312,131,865 for FY 2003/04, an increase of 21 percent over the current fiscal year. The increase is largely due to the \$55 million, 50 megawatt peaking generation plant included with the capital projects. Excluding capital projects, the overall operating budget actually decreased by 0.7 percent, despite the addition of 8.0 FTE positions.

All Public Utilities costs, both capital and operating, must be recovered through rates, fees or reimbursements. The proposed 2003/04 budget is within the current rate structure; therefore, there will be no rate impact to Riverside's customers.

Refuse Fund (540)

The Refuse Fund is used to record revenues and expenses associated with the provision of residential trash services within the city. Currently, the City provides approximately 70 percent of all residential service, with the remainder provided by the private sector. All commercial refuse service is provided by the private sector. The FY 2003/04 budget for the Refuse Fund is \$14,589,737 and is dependent on the successful approval of a rate increase scheduled to move before Council in late spring.

Summary of Significant Changes within the Refuse Fund (540)

<i>Fund</i>	<i>Action</i>	<i>One-Time</i>	<i>Ongoing</i>	<i>FTE</i>
Refuse	Add 1.0 FTE Solid Waste Supervisor I; Add 4.0 FTE Solid Waste Collector I	--	\$272,107	5.0
	Increase advertising accounts		\$23,000	
	Increase truck replacement cycle and container replacement cycle		\$873,000	
	Increase disposal funding		\$300,000	
	Increase Private Hauler contract due to CPI increase and increased green waste price		\$231,600	
		One-Time	Ongoing	FTE

Total Refuse Fund Adds	--	\$1,699,707	5.0
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Sewer Service And Projects Funds (550 and 551)

The Wastewater Treatment plant serves the residential and commercial sewer needs within Riverside city limits, and in the Jurupa, Rubidoux, and Edgemont Community Service Districts. The proposed Sewer and Sewer Project Fund budgets total \$26,977,861.

Summary of Significant Changes within Sewer Service and Projects (550 and 551)

Funds	Action	One-Time	Ongoing	FTE
Sewerage	Add 1.0 FTE Principal Engineer position		\$131,286	1.0
	Add 1.0 FTE Sr. Industrial Waste Inspector and 1.0 FTE Industrial Waste Inspector II position		\$158,321	2.0
	Add funds for Asset Management Study to develop plan for managing wastewater assets.	\$100,000		
Total Sewerage Funds Adds		\$100,000	\$289,607	3.0

Airport And Special Aviation Funds (530 & 531)

The Airport and Special Aviation Funds record revenues and expenses associated with operation of the municipally owned and operated Riverside Airport, which serves the local needs of business jets, cargo aircraft, police and military helicopters, and private pilots. Fund 530 provides for Airport operations and maintenance and Fund 531 provides for capital improvement needs, which are largely grant funded.

There are no significant changes to these funds for FY 2003/04. The Airport's budget totals \$984,661, an increase of 3 percent over current fiscal year, primarily due to previously negotiated salary and benefits increases. The Riverside Airport operates on an enterprise fund system, and generally does not receive transfers from the General Fund, with the exception of an energy retrofit project transfer. The Airport generates revenue through leases, fuel flow charges and landing fees. Projected revenues for 2003/04 are expected to exceed budgeted expenditures by \$116,581, which will be added to the fund balance available for Airport capital projects.

FUTURE BUDGET CONSIDERATIONS

As we look to the future, we are well positioned to meet the challenges facing us. We will continue to monitor State budget developments, and develop proactive strategies to deal with possible revenue losses. We will aggressively explore all avenues for revenue enhancement and service efficiencies, while maintaining exceptional service levels. We will continue to address the General Fund structural deficit and not allow it to become an

unmanageable burden. Finally, with over 15 active annexations, we will plan carefully to ensure that the new areas of the City will receive adequate municipal services, including infrastructure, libraries, parks and public safety services.

One year ago, we set out on a course of action that would see the City through a major community visioning and strategic planning process, concerted focus on customer service and economic development, hiring of key management staff, restructuring of the city organization, and the building of a budget that would respond directly to community needs and preferences. We have certainly spent this year accomplishing much. But most importantly, we have succeeded in painting a picture that tells us where we will be focusing our future energies.

By this time next year, we plan on reporting that the City has assuredly moved forward and made significant progress toward achieving the vision and goals that inhere in that picture. We will have made major steps toward preserving and improving the quality of life through successful implementation of the John Husing-authored Economic Development Strategies and the Downtown Specific Plan, significant progress made on the Villaggio project and restaurant development throughout the City, including the downtown Toad in the Hole and Tamale Factory projects, and completion of parking garages in University Village and downtown 9th and Orange Streets. Additionally, new libraries, new public safety facilities, and new practice fields and other park enhancements will provide all the more reason Riverside is destined to become a premier destination and place to live in Southern California.

By next year, we will have made great strides in reducing traffic congestion by working on major street widening projects, such as Van Buren and Alessandro, and traffic signal synchronization projects on Central, Van Buren, and Martin Luther King. Moving forward through the recommendations set forth in the Eastside Strategic Actions and by the Homeless Advisory Committee will take us far in addressing Riverside's social concerns with community involvement, as will the successful establishment and launch of the Arlanza Family and Neighborhood Resource Center.

Our City will be more beautiful thanks to the gateway projects we are embarking upon, major improvements being made to medians, including Market Street, concerted focus on trash mitigation, and expanded tree trimming activities. Finally, our investment in facilitating among key community groups and governmental agencies the promotion of our youth and children will yield an expanded model of Youth Violence Prevention, comprehensive marketing of youth programs throughout the City, and an increase in vocational training and job preparation programs.

To capitalize on all this progress, we will have expanded our marketing efforts of the City to raise awareness beyond our boundaries of economic development and tourism opportunities here in the City. In collaboration and partnership with local businesses, educational institutions, and the community-at-large, we will launch a successful Shop Riverside Campaign to ensure important dollars are being spent locally.

CONCLUSION

There has never been a better time to be in Riverside. The City is poised for positive changes through implementation of the Citywide Strategic Plan, the roadmap for our common vision. While cognizant of the State budget crisis and regional economy concerns, we have a measure of financial stability afforded by our healthy economic contingency reserve. Because of our prudent fiscal planning, we need not fear the future, and instead, can focus our attention to achieving the results we want. We have the talent, roadmap, and budget necessary to achieve great things for the residents of Riverside.

We thank the Office of Management and Budget, the Finance Department, and the departmental budget coordinators for their dedicated teamwork, excellent budgeting skills, and long hours worked to coordinate and produce this budget document.

Respectfully submitted,

George A. Carvalho
City Manager

Attachment A

Table of changes in proposed funding for specific funds:

FUND	2002-03	2003-04	CHANGE	% CHANGE
General Fund	140,116,907	145,217,652	5,100,745	3.6%
Development	4,255,900	4,447,375	191,475	4.5%
Library	6,406,187	6,999,994	593,807	9.3%
Comm Del Blk Grant	3,556,000	4,213,000	657,000	18.5%
Electric*	214,651,030	270,862,063	56,211,033	26.2%
Water	43,423,341	41,269,802	(2,153,539)	-5.0%
Refuse	12,484,606	14,589,737	2,105,131	16.9%
Sewer Service	22,060,603	22,721,211	660,608	3.0%
Sewer Projects	10,148,200	4,256,650	(5,891,550)	-58.1%
Airport Funds	936,307	984,661	48,354	5.2%

Changes in proposed funding by various categories Citywide, all funds:

EXPENSE CATEGORY	2002-03	2003-04	CHANGE	% CHANGE
Personnel	157,197,328	169,830,681	12,633,353	8.0%
Non-Personnel	219,296,490	218,011,734	(1,284,756)	-0.6%
Equipment Outlay	5,377,340	4,953,892	(423,448)	-7.9%
Capital Outlay	60,563,238	110,534,305	49,971,067	82.5%
Special Projects	26,418,327	22,531,608	(3,886,719)	-14.7%
Debt Service	53,186,595	54,940,014	1,753,419	3.3%
Charges From Others	53,534,227	57,102,033	3,567,806	6.7%
Charges to Others	(67,524,005)	(72,223,686)	(4,699,681)	7.0%
TOTALS	508,049,540	565,680,581	57,631,041	11.3%

*Includes Fund 511 for the Public Benefits Surcharge Fund